



# Fundamentals of Public-Private Partnerships (PPPs)

Luguillo, PR  
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Rick Norment  
NCPNP Executive Director

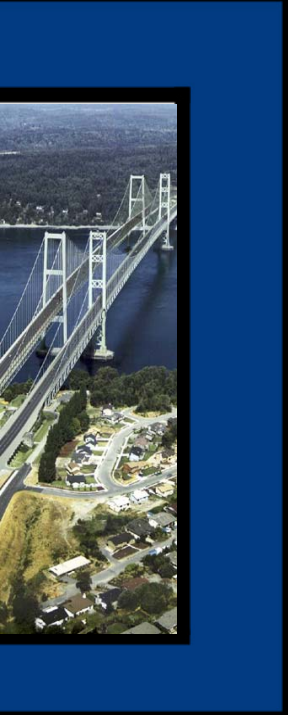




# What is NCPPP?

- Membership
  - Public and Private
- Partnerships range from:
  - Outsourcing
  - Public-Private Partnerships
  - Privatization
- OUR FOCUS = Public-Private Partnerships
  - “Joint Ventures”
  - “Collaborative Enterprise”
- **NOT “Privatization”**
  - Difference = The level of public control & oversight





# Facing New Challenges & Opportunities

## PUBLIC SECTOR

- Aging Infrastructure
  - Maintenance
  - Replace & Expand
- Shrinking Budgets
- Constituent Demands
- Exercising Authority

## PRIVATE SECTOR

- Economic Development
- Public sector resources
- Underutilized Assets

**PPPs = An Answer, not the answer**

# WHAT IS A PPP?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

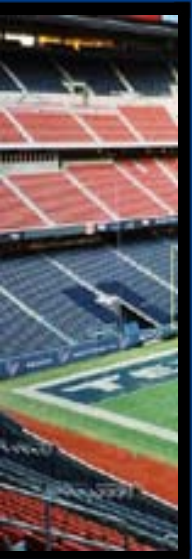
source: [www.ncppp.org](http://www.ncppp.org)





# Sectors Where PPPs Have Been Used

- Transportation
- Water/Wastewater
- Urban Development
- Utilities
- Financial Management
- Schools





# Challenges of Bringing the Public and Private Sectors Together

## “Failure to Communicate”

- “We Don’t Speak the Same Language”
  - “Business Speak”
    - Customer Satisfaction
    - Return on Investment
    - Risk/Reward Evaluation
  - “Public Speak”
    - Responsibility
    - Accountability
    - Risk Avoidance





# But Are These Really Different?

## BUSINESS

## GOVERNMENT

Customer Satisfaction

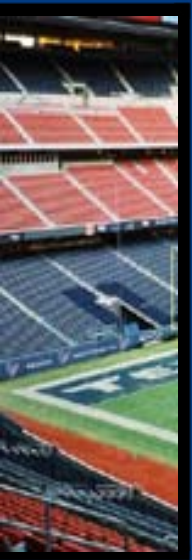
Responsibility

Return on Investment

Accountability

Risk/Reward Evaluation

Risk Avoidance





## Private Sector Strengths

### The Result of Market Competition

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development
- Shared Resources (Money?)





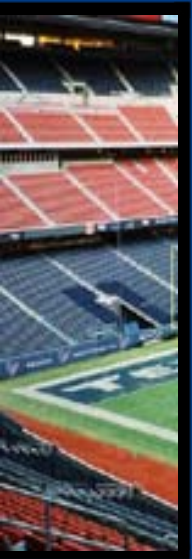
## Public Sector Strengths

- Legal Authority
- Protection of Procurement Policies
- Broad prospective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources





## Successful Partnerships



The Secret is to Balance  
the Strengths of Both  
Sectors





# Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Better environmental compliance
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Share/allocates risks
- Mutual rewards



# Case Studies at [www.ncpppp.org](http://www.ncpppp.org)



- Transportation
- Water/Wastewater
- Financial Management
- Urban / Economic Development
- Public Safety
- Social Programs
- Education





# CASE STUDY WATER SYSTEM



## TAMPA BAY DESALINATION

- Public initiative
- The project size and technology too risky for public procurement
- Private Activity Bonds –  
public authorized private debt (no public risk)
- Risk led to several bankruptcies, but public retained ownership (financial losses absorbed by the private sector)
- Expected to be fully operational in early 2008



# CASE STUDY TRANSPORTATION

## WASHINGTON DC METRO STATION

- An “in fill” station in an economically depressed area
- Public and private initiatives
- Cost: \$90 million
- Local Developer provide 30% through a dedicated tax district and land for station
- Economic Impact: 600% increase in property values in 3 years







# CASE STUDY PUBLIC FACILITIES

## JAMES OYSTER MULTILINGUAL SCHOOL

- Condemned property of the DC Government
- Citizens initiative to save the school
- 1.5 acres used by private sector to build a 221 unit full-market apartment building, with a 35 year ground lease
- PILOT equals \$35 million for payments of municipal bonds for construction of a new school (i.e. no cost to the taxpayers)
- Provided the model for the Virginia Public-Private Education Act (has resulted in over 30 schools and numerous additional municipal buildings in the state)



THE NATIONAL  
Council For  
Public-Private  
Partnerships

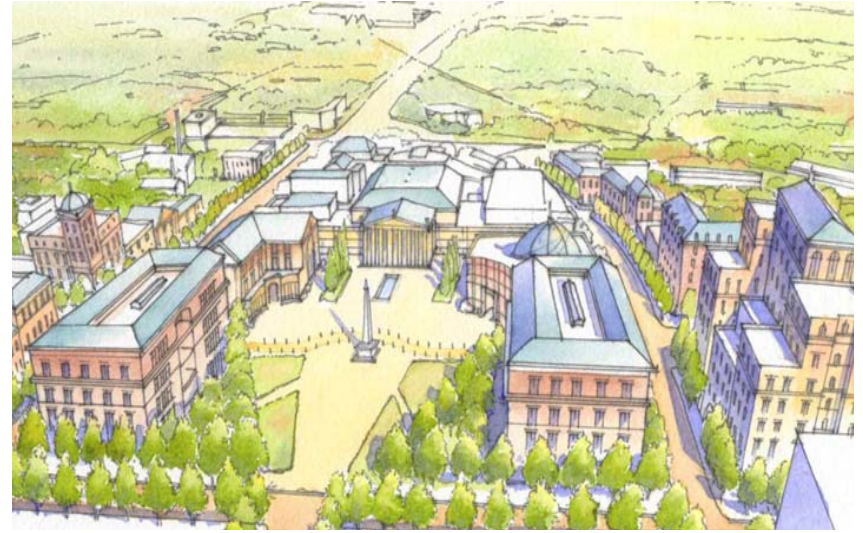


PARTNERSHIPS FOR PROGRESS

# CASE STUDY ECONOMIC DEVELOPMENT

## RALEIGH, N.C.

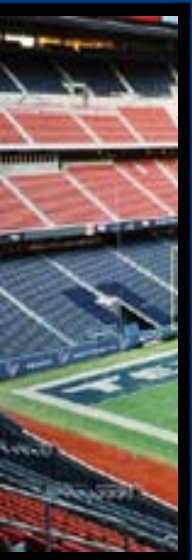
- Public initiative
- Substantial planning pre-RFP evaluation process
- \$150 M project
- Mixed use with an urban culture district
- City provided covenants for the property
- Totally financed by the developer





# THE PROCESS

(particularly for economic development projects)



## Public sector steps before the RFP

- General concept design, but not design specific
- Evaluation of the value of publicly held lands
- Evaluation of market potential, including tax revenues to be generated
- RFQ to select a design and construction team
- RFP to the select group developed by the RFQ
- Private pre-RFP costs can be significant, but projects have a higher probability of success (because of the pre RFP process)





# Six Keys to Successful PPPs



- **Statutory and Political Environment**
- **Organized Structure**
- **Detailed Business Plan**
- **Guaranteed Revenue Stream**
- **Stakeholder Support**
- **Pick Your Partner Carefully**



# Managing for Success – Six Keys

## Component One:

### **The Environment**

- Statutory authority and regulations
- Political leadership must be in place
  - Leading Political Figure
  - Top Administrative Officials
  - “The Will to Change the System”
  - A Strong Policy Statement





# Managing for Success – Six Keys

## Component Two:

### Organizational Structure

- Dedicated group (tied to the purpose of the partnership)
- Dedicated and TRAINED personnel to monitor implementation
- Examples: TXDOT, VDOT, PPP Centrum, Partnerships UK, Irish Government's Central PPP Unit
- Best Value vs. Lowest Price
  - Difficult to Administer but...
- Need for Good Governance
  - To assure an open and fair procurement process
  - Consolidate staff = easier to monitor
  - Independent authority (domestic/internal or international)





# Managing for Success – Six Keys

## Component Three:

### **Detailed Business Plan a.k.a. Enforceable Contract**

- Performance goal oriented - Allow for innovative plans
- Best Value vs. Lowest Price
- Plan/Contract should include:
  - Specific milestones and goals
  - Reporting of metrics and frequency
- Risk Allocation
  - Shift to the private sector can raise costs
  - Identify best prices to retain, which to shift
- Dispute Resolution Methodology
- Workforce Development?
  - Develop in-country resources/small businesses



# Managing for Success – Six Keys

## Component Four:

### Guaranteed Revenue Stream

- Funds to Cover the Long-Term Financing
  - Tolls/Fees (real or shadow)
    - Intelligent transportation systems
  - TIF or other form of a Tax District
  - Long-Term Maintenance Contracts
  - Availability Payments
  - Underutilized Assets
  - Concession Model (limited application)
  - Creative Approaches



# Managing for Success – Six Keys

## Component Five: **Stakeholder Support**

- Public Sector Employees
- Private Sector
- Labor Unions
- End Users
- Competing Interests
- Requires:
  - Open and frank discussion between sectors
  - Knowing the FACTS (no myths)
  - Translating each other's language



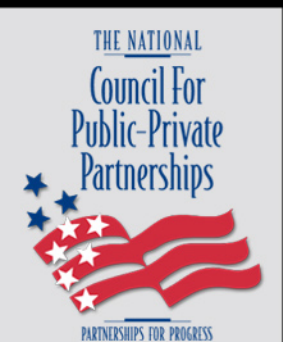


# Managing for Success – Six Keys

## Component Six:

### Pick Your Partner Carefully

- This is a long-term relationship
  - Verify experience (technical capability)
  - Verify financial capability
  - Best Value vs. Lowest Price
- Remember each sector's motivation
  - Genuine need (market value to the project)
  - Political / statutory environment
  - Reasonable return on investment and manageable risks
  - Timely and effective execution vs. development costs





## Managing for Success

The Most Critical is  
Component One:

Strong **LEADERSHIP** makes  
all the other factors  
come together

# Need Help?

[www.ncpppp.org](http://www.ncpppp.org)

Case Studies, Fundamentals of  
Partnerships, Issue Papers,  
Publications, Resources



1660 L Street, NW  
Suite 510  
Washington, DC 20036  
202-467-6800  
[rnorment@ncpppp.org](mailto:rnorment@ncpppp.org)

